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**Local Government Support
Project in Moldova**

LOCAL GOVERNMENT SUPPORT PROJECT IN MOLDOVA

**YEAR 3 WORK PLAN, DRAFT
OCTOBER 1, 2013-SEPTEMBER 30, 2014**

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LOCAL GOVERNMENT SUPPORT PROJECT IN MOLDOVA

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Prime Contractor:

Chemonics International, Inc.

Partners:

VNG International
Encon Services International LLC
Urban Development Institute (IDU)
Magenta Consulting

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Acronyms

AEE	Agency for Energy Efficiency
AEER	Alliance for Energy Efficiency and Renewables
APA	Academy of Public Administration
CALM	Congress of Local Authorities from Moldova
EE	Energy Efficiency
EMM	Excellence in Municipal Management
EMMP	Environmental Mitigation and Monitoring Plan
ESD	Energy Services Directive
EU	European Union
GIZ	German Agency for International Cooperation
GoM	Government of Moldova
IDU	Institute for Urban Development
IEE	Initial Environmental Examination
IER	Intermediate expected result
IMC	Inter-municipal or inter-communal cooperation
IOF	Incentives and Opportunities Fund
IPMVP	International Performance Measurement & Verification Protocol
LEEAP	Local energy efficiency action plan
LEEP	Local energy efficiency program
LGSP	Local Government Support Project in Moldova
LPA	Local Public Authority
M&E	Monitoring and evaluation
MoF	Ministry of Finance

MoU	Memorandum of Understanding
MPSCS	Moldova Partnership for Sustainable Civil Society
MPI	Municipal Performance Index
NDS	National Decentralization Strategy
PMEP	Performance Monitoring and Evaluation Plan
PPP	Public-private partnership
RDA	Regional development agency
RIA	Regulatory Impact Assessment
SIDA	Swedish International Development Cooperation Agency
UNDP	United Nations Development Program
USAID	United States Agency for International Development

Section 1: Overview

Project Background

USAID Moldova has created and funded the four-year, \$9.3 million LGSP to assist Moldovan local governments to design and implement policies and procedures that contribute to good governance, develop capacity to meet decentralized authorities and responsibilities for services in a transparent manner, and provide basic services that engender growth of local economies and make services more cost effective and efficient.

The LGSP mission is to: ***“Improve the lives of people in Moldova through strengthening local governments by mentoring, supporting, and increasing quality and access to public services.”***

LGSP has three interrelated components:

1. **Improve municipal service delivery, including planning, service management and service quality and quantity.** The project assists towns in strategic action planning that supports infrastructure improvements and the extension of more effective/efficient service delivery.
2. **Increase revenues available to local governments and improvements in financial management practices.** The project contributes to strengthening municipal financial management capacities and optimizing municipal revenue generation potential.
3. **Assist with the development and implementation of local energy efficiency plans and practices and support management of municipal energy efficiency projects.** The project is assisting municipalities in the development of local energy efficiency plans, analyzing the feasibility of energy efficiency projects, and the realization of energy efficiency gains.

To measure and promote municipal improvement, LGSP has developed a Municipal Performance Index (MPI) tool. Through the annual collection of quantitative data and in-depth surveys of citizens and local leaders, the MPI measures municipal performance across LGSP’s three components. The MPI serves to guide technical assistance delivery, instill competition for improvement, and provide an objective methodology for attribution of LGSP’s impact.

LGSP’s Excellence in Municipal Management (EMM) program provides core competency training to towns, followed by tailored, demand-driven technical assistance. EMM is structured to provide towns with practical tools that yield tangible results. EMM graduates will be eligible for small infrastructural and service delivery support under an Incentives and Opportunities Fund (IOF). The IOF will be carefully restricted to ensure its effectiveness.

In addition to the IOF, LGSP will use a Direct Procurement Fund (DPF) in certain situations where there is an urgent and legitimate need identified. This fund will support partner towns in proposed improvements under each of the project's components through the provision of direct procurements of equipment made on behalf of partner towns and municipal enterprises. These procurements will come either as complementary equipment necessary for improving a service delivery under a larger financing project from national and international donor funds, or as direct interventions with equipment deemed necessary as a result of a needs assessment and service delivery improvement plan for the partner towns.

Led by USAID's implementing partner and prime contractor, Chemonics International, the LGSP team includes subcontractors VNG International, Encon Services International, Institute for Urban Development (IDU), and Magenta Consulting. LGSP will also coordinate with donors currently implementing programs in Moldova such as the United National Development Program (UNDP), the Swedish International Development Cooperation Agency (SIDA), and GIZ.

Results Framework



IER = Intermediate Expected Result

Project Context

Demographics: Moldova's aging and declining population has led to an increase in the number of elderly people living alone in rural areas and receiving disability. While youth emigration is a continuous challenge, there are trained, young professionals returning from abroad ready to take advantage of economic development opportunities. In response, the Government of Moldova (GoM) has adopted several national programs that support youth and young families to start businesses in Moldova. Central institutions, in partnership with local governments, have increased and improved child care and health services in small towns and rural areas to address the demographic situation.

Environmental: In the last 2-3 years Moldova faced serious environmental challenges linked with global climate change. In addition to droughts that have affected agriculture, flooding has caused significant issues in many communities on both sides of the Dniester and Prut rivers. While local governments have been assigned more responsibility in preventing and developing local policies to managing disasters, these governments are unable to enforce environmental law provisions, which has resulted in polluted open water sources. Improving public services to address water issues is therefore a high priority with Local Public Authorities (LPAs).

Economics: According to the World Bank Annual Doing Business Report, Moldova's business climate is significantly improving and registers a better country rating. Although Moldova dropped in position from #83 in 2006 to #87 in 2010 and #90 in 2011, it improved by 18 positions to #86 in 2012. Access to finance, corruption, inefficient government bureaucracy, tax regulation, an inadequately educated workforce, and political instability remain challenges for Moldova. However, there is a growing interest in making the business climate more favorable by broadening the scope of the **One-stop-shop Law** for businesses. LGSP is helping LPAs to improve the implementation and quality of this law by adding public administrative services and increasing hours of operation, in cooperation with USAID-funded BRITE and an EU project. This will not only improve the business climate, but will also provide services to the general public through the development of Citizen Information and Service Centers (CISC).

Politics: The political crisis which resulted in the fall of the government was resolved, and a new government put in place that is working more effectively and is open to reform. This change has resulted in more consistent efforts to make the government more efficient through business and administrative reform, including the fight against corruption and the facilitation of increased access to financing. Overall, despite the ongoing ethnic and political tensions, Moldova remains an acknowledged example of a successful transformation under the European Union's Eastern Partnership.

Legal Framework: Amendments to the Law on Local Public Finance have passed first and second readings. Final adoption is expected in September or October of 2013. The amendments will provide additional local autonomy by removing the raion from the process of approving local budgets. They will further eliminate the disincentive for local authorities to increase own source revenues by removing the

practice of reducing intergovernment transfers by the amount increased in own revenues. Additionally, the amendments will alter the process of local budget preparation. As a result, LGSP will be better able to encourage the increase in own revenues, and will be able to assist partner towns with improvements to budget preparation and financial management.

Donors: Moldova continues to receive substantial support from the international community in implementing the ambitious reform agenda under the context of the decentralization strategy, good governance, improving public service delivery and the fight against corruption.

An ample number of donor organizations with substantial funding are willing to provide assistance to local authorities, either directly or through the national government. In order to get the best value from the provided assistance, better coordination of all efforts is needed to reduce the risk of duplicating efforts, or providing conflicting messages to beneficiaries.

LGSP Work Plan and Performance Monitoring and Evaluation Plan

In the initial two years of LGSP operation, activities have anticipated action by the Moldovan Government and Parliament to implement Moldova's stated decentralization goals. LGSP is charged with assisting raion center towns and the capitol of Gagauzia to prepare for the additional responsibilities that decentralization will confer. Accordingly, service and planning improvements, revenue increases and financial management improvements, and energy efficiency planning have been initiated in the first 12 specified towns. Activities have included comprehensive planning, specifically by creating or updating each town's strategic plans so that they are able to qualify for assistance from a variety of Moldovan and international donor sources; and beginning to provide LEEP/LEEAPs for each town in order to meet the requirements of Moldovan law and so that they can qualify for additional assistance. LGSP is also expected to assist with urban land use plans; asset management plans; communications, citizen engagement and participation; budget preparation and financial management reform; as well as human resources management and public procurement. Training and technical assistance has been provided through LGSP's EMM program, and the progress of participating towns is being monitored and evaluated by LGSP. Baseline data has been collected and progress will be further evaluated by the LGSP-developed MPI program. The first two years of implementation have not only demonstrated LGSP's own progress, but that Moldovan towns are capable of progressing toward owning the responsibilities required by decentralization.

Progress toward the Government's decentralization goals continues to stagnate, and political instability has kept decentralization at a low priority. Even with these challenges, LGSP has continued its approach of building all raion center town's capacity for decentralization. Although the first two readings on critical amendments to the Law on Local Finance have been approved, and final adoption of the Law on Local Finance was expected in September or October, 2013, it now appears that no action will be taken during this legislative session. The State Chancellery and Ministry of Finance requested LGSP's and other donor programs' assistance in

preparing LGAs for the financial management requirements of the expected new law. With the budget preparation training partially completed, the government asked that it cease. It is possible that there will be additional requests as circumstances change, and this work plan must assume the flexibility necessary to respond.

The third year of this four-year program is critical for achieving its goals, and resources are therefore allocated extensively in order to assure success. The following sections make clear how we will provide across-the-board assistance to all raion center towns.

The LGSP Work Plan for Year 3 envisages the continuation of Year 2 Monitoring and Evaluation (M&E) activities for the first cohort of towns (cohort 1), as well as the collection of service-specific quarterly data for towns in the second and third cohorts (cohorts 2&3). The data collection process typically involves two to three town hall and two to three municipal enterprise staff in each town in order to build LPAs' M&E capacities to self-evaluate and measure their progress. M&E will also be part of the Service Delivery EMM Training. The diagnostic analysis that will be performed for service providers by a local subcontractor will complement data collection efforts and contribute to M&E local capacity building.

The following changes to the Performance Monitoring and Evaluation Plan (PMEP) are suggested, resulting from the Year 3 Work Planning session and meetings with central authorities.

Addition of towns and village mayors' presence to indicator 15: *"Number of LPAs with an improved understanding of the new legal framework with regard to fiscal decentralization imposed by the new Law on Public Finance"* under component 2, subcomponent 2.4. The State Chancellery and Ministry of Finance have requested that LGSP work with a larger target group regarding fiscal decentralization, meaning that several village mayors would be invited to attend trainings with their raion center town. Adding this indicator will allow LGSP to effectively track this activity.

Change in EE monitoring tool in indicator 23: *"Quantity of greenhouse gas emissions, measured in metric tons of CO2 equivalent, reduced or sequestered as a result of LGSP assistance."* Since the originally envisaged Synenergy software is not available for the LGSP partner towns' EE related calculations, a solution to calculate this indicator will be calculated after the completion of LEEP/APs on the basis of any improvements in the institutions under the control of the town halls), in m3 of CO2 sequestered.

Change in EE monitoring tool referred to in indicator 24, *"Number of towns using/applying the EE monitoring tool."* Originally, the project planned to measure the number of towns using the tool developed by Synenergy. However, since that tool is not widely used, the project will measure the number of towns using a new, simpler tool. The targets for years 3 and 4 will remain the same.

Communications and Public Engagement

LGSP's communications activities have involved a range of activities to build on in year 3, including EMM trainings, quarterly mayors' meetings, cooperating with partners and other donors, and becoming involved in a newly-formed government working group focused on communications for decentralization.

EMM trainings in communications and public outreach will be combined in Year 3, recognizing the relationship between providing information to the public and attracting feedback and participation from the public. Training will be supplemented with technical assistance for cohorts 2 & 3 on developing new internal communications guidelines, a communications and public engagement action plan, town hall newsletters and other communication tools. Towns will also receive assistance with updating existing communications tools (for example, websites), and creating accessible new ones such as Facebook. LGSP will help partner towns implement the public engagement portion of these plans by helping to organize public debates, round tables and public events, such as youth contests, suggestions, energy efficiency days, town anniversary days and public outreach documents. LGSP will assist partner towns with improving the transparency of financial management to enhance citizen understanding and access to local government operations as well as planning, budgeting, accounting and reporting through participatory public processes. LGSP plans to solicit the help of partners, such as Peace Corps volunteers, to assist with these activities.

LGSP will enlist the support of the planned civil society project, Moldova Partnership for Sustainable Civil Society (MPSCS) to encourage the active participation of citizens, citizen groups and citizen organizations as public participation opportunities are created.

The quarterly mayors' meetings, held with cohort 1 towns in Year 2, will expand to 32 towns in Year 3, constituting an even larger exchange of resources, ideas, best practices, and opportunities for Public-Private Partnerships (PPPs) and Inter-Municipal Cooperation (IMCs).

The LGSP Communications/M&E Specialist is a member of the newly-formed Decentralization Communications team, which is part of the communications platform recently created by the State Chancellery, which is working to unify the efforts of all donor partners under one joint National Decentralization Campaign. This involvement shall improve the visibility of LGSP activities' and results', placing the project's efforts in a more appropriate context at the national level, while at the same time increasing the chances for leveraging funds and an opportunity for better coordination and allocation of resources.

Cooperation and Coordination

Cooperation with partners was emphasized during Year 2, creating opportunities for many joint activities and events. LGSP will continue to collaborate with Central and Regional Authorities, GIZ, UNDP, CALM, State Chancellery E-Gov Center, Energy Efficiency Agency (AEE) and others to help create service improvements in Year 3. Among the activities were:

- EMM Funds and Grants training with the Ialoveni Information Center jointly funded by USAID and Polish Solidarity Fund.
- EMM PPP/IMC training with CALM
- Strategic Planning in Orhei and Telenesti in coordination with EU
- EMM Summit with Ministry for Regional Development and Agency for Energy Efficiency
- Communications Guide with CALM
- Energy Efficiency Guide with AEE
- Co-Moderated and participated with RDA Center in the Regional Forum for Investments and Innovations
- Participated with GIZ in partnership with RDA North and RDA Center in two workshops on regional strategic planning and waste management
- Preparation with CALM for moderating the Gender panel at the NEXPO NALAS conference in Croatia. LGSP will sponsor four mayors from partner towns.
- CISC development workshops with BRITE, UNDP, State Chancellery, E-Gov Center

Cooperation and coordination will increase in the coming year with all these entities, particularly with State Chancellery and Ministry of Finance if amendments to the Law on Local Public Finance are adopted in any form. The planned MPSCS project will become an active partner in public engagement and public participation activities in all partner towns.

Section 2: Technical Activities

MPI

Following the successful launch of activities with Cohort 2&3 partner towns, LGSP initiated the evaluation of LPAs performance with the collection of MPI baseline data in August 2013. The MPI baseline data collection for the Cohorts 2&3 will be implemented in partnership with local subcontractors Institute for Urban Development (IDU) and Magenta Consulting, and will be completed by November 2013.

Beginning in August 2014, LGSP will assess the performance of Cohort 1 towns, comparing the results to the baseline data collected in October-November 2012. These results will benefit both partner towns and improve project activities by: demonstrating progress made in the evaluated areas, helping towns pinpoint areas of improvement, serving as indicators to calculate LGSP Performance Monitoring and Evaluation Plan, and aiding the project to target future interventions.

The performance of LPAs will be evaluated on the basis of:

- *Organizational, functional and service rendering capacity of administrative services;*
- *Management of Public Finances, Public Property and Financing Projects;*
- *Lawfulness and transparency of activity, relational capacity;*
- *Public Services Management.*

The results of the MPI will be summarized in comprehensive reports for each individual partner town and presented to the local council members and mayoralty staff. The conclusions and recommendations reflected in the MPI report will be used to update the towns' Socio-Economic Development Strategies, service improvement plans and annual operational plans at the mayoralty and service provider level.

Additionally, LGSP will match the MPI with the Citizen Survey, which will be conducted in all partner towns. The purpose is to determine the satisfaction of the population regarding the public services in each town.

EMM Training Program

LGSP will provide comprehensive training and technical assistance following the EMM Program for Cohorts 2&3 partner towns, the remaining 20 of 32 raion center towns. Based on the successful implementation of the EMM training program for the 12 Cohort 1 partner towns and lessons learned, the curriculum for all training modules will be updated to include best practices, a greater focus on gender and social inclusion, and adjustments in the Moldovan legal framework related to the implementation of the National Decentralization Strategy. The training materials will also include case studies and best practices achieved by Cohort 1 partner towns, especially in the fields of asset management, LEEP and LEEAP development.

The EMM Program will be delivered in three phases for each of those three components:

- Phase 1 – Basic training program;
- Phase 2 – Technical assistance program;
- Phase 3– Additional training sessions based on individual needs as well as on the participants' requests, according to the Elective Curriculum.

In Year 3, 550 people from Cohort 2&3 partner towns will benefit from 10 training basic modules, about 8 practical training sessions, two regional Study Visits and one EMM Graduation Summit. The EMM training Program will be delivered in partnership with international, regional and local experts. As a result of Cohort 1 feedback, the experts will improve training materials and will include more practical and interaction exercises.

The current curriculum of the EMM Program will be supplemented by a Master Class called *Managing a Modern City* and will be offered with the participation of mayors from Romania who previously hosted the Cohort 1 study tour. The Master Class is intended to strengthen the training activities and technical assistance completed by Cohort 1 towns, as well as to encourage and stimulate the participation of Cohorts 2&3 partner towns in the EMM training program.

Following the EMM training schedule (*Annex 1*), the training program for Cohorts 2&3 will be initiated in September 2013 and will be completed in July 2014. It is planned to deliver one training module per month, the same training delivered twice in order to control the size of the group. The majority of training modules will last for two consecutive days and will take place in Chisinau and Balti, since many of the towns in Cohort 2 and 3 are located in the North. The staff from Cohort 1 partner

towns who did not manage to participate in the first round of trainings, or have missed some module, will have the opportunity to participate in the second round.

In the framework of the EMM Program a study tour to Romania will be organized for Cohorts 2&3 partner towns in September – October, 2014. The objective of the study tour will be to demonstrate the progress in decentralization made by the Romanian LPAs. This activity is intended to present the experience and ability of Romanian cities to take on the additional responsibilities of decentralization. This is an appropriate model for decentralization in Moldova. The Romanian cities that will be part of the study visit are examples of the successful exercise of decentralized powers related to the objectives of LGSP: planning and provision of services; revenue and financial management; capital investment; inter-municipal cooperation and PPP; energy efficiency; and public participation and public information.

Component 1: Improved Municipal Service Delivery

Objective 1.1: Improved Local Capacity to Plan for and Manage Municipal Services

Strategic Planning (Task 1). The LGSP assistance towards updating/developing the Strategic Plans is based on an inclusive, participatory approach, ensuring broad LPA ownership on each strategy and action plan through public hearings organized with the support of LGSP's Public Engagement Advisor, and citizen participation. When the socio-economic development strategies are approved by Local Councils, LGSP will print and assist towns to disseminate a modified, user-friendly version of the Strategies for citizens, encouraging their participation in the Strategy implementation process. LGSP will continue in Year 3 to support Cohort 1 partner towns to conclude the creation or updating of the socio-economic development strategies. LGSP has subcontracted two local companies specialized in strategic planning to support partner towns with oversight from LGSP's Municipal Planning Advisor and an international strategic planning expert. The socio-economic development strategies for all Cohort 1 towns will be finalized in December 2013 (Task 1).

Once the Strategic Plans are in place, the Project will **assist Cohort 1 partner towns to implement the strategies by developing annual work plans**. This activity (to be actively supported by LGSP staff) will enable local governments to better outline goals and processes, offering LPA staff a descriptive guideline of processes, achievable tasks, and responsibilities in line with their Strategic Plan.

LGSP has begun to assess the current status of the socio-economic development strategies (Task 1) for the Cohorts 2 & 3 partner towns. Two main conclusions were drawn from a preliminary assessment made on the basis of the information received from the Town Halls: 1) several towns need to draft their socio-economic development strategies from scratch as their current strategies are outdated; and 2) other towns have development strategies in force until 2014/2015/2016. A detailed assessment of the current status of the socio-economic development strategies for the Cohorts 2 & 3 will be performed in project Year 3. In January 2014, LGSP will start the strategic planning process in the first 10 towns. In Year 4, LGSP will support the remaining 10 towns.

To implement the updating/drafting of socio-economic development strategies for the Cohorts 2&3, the following steps will be undertaken:

- Launching the strategic planning process by organizing a workshop at the national level (January 2014);
- Launching the strategic planning process at the local level (February –March 2014);
- Working groups/focus groups (February –May 2014);
- Approval of the strategies (June-September 2014);

In several towns, LGSP will coordinate its strategic planning activities with other donors/implementing agencies. In Ungheni, LGSP and UNICEF's "Disasters' Risk Reduction and Response to Emergency Situations in Moldova" project will deliver a workshop for LPAs on disaster risk management. In Orhei and Telenesti, LGSP is working with the European Union "Promoting Participatory Planning and Implementing as an Efficient Mechanism for Community Empowerment and Sustainable Development" project to develop socio-economic development strategies. LGSP is providing assistance to the energy sector focus group, and will support the development of the strategy's chapter on energy. In Rezina, LGSP is engaged in an activity with GIZ on waste management services.

Urban Planning (Task 2). (Assist in participatory development and approval of land use plans): LGSP will develop a specialized *Guide for developing a General Urban Planning*. The guide is based on the EMM Urban Planning training module, as well as on expert recommendations to develop a General Urban Plan that includes and describes the step-by-step European standard methodology. The elaboration of this guide will have a long term impact on urban planning in Moldova. LGSP will work closely with the Ministry for Regional Development and Construction to ensure ownership and continuity of the proposed activities.

LGSP will combine the activities conducted under the strategic planning process with those needed to draft the General Urban Plan which requires the following steps according to Moldovan regulations:

- Research and collection of information;
- Drawing the map of the GUP; Preparing the regulations and explanation to the GUP;
- Citizens participation;
- Decision making.

Urban land use planning must rely upon the completed strategic planning process. As Cohort 1 strategic plans are completed and approved by local councils, the land use planning process will begin. Cohorts 2/3 will begin the strategic planning process and as those plans are completed, the land use planning will follow immediately. As with the strategic plans, there is a wide variation in the status of the urban land use plans in the raion center towns. Some are complete and current and will require little revision. In other towns they do not exist. Technical assistance will be provided according to need. Land use planning for Cohort 2/3 towns with complete and current strategic plans can begin immediately and in parallel with Cohort 1 towns.

The urban plans will be done in two parts, the narrative descriptive portion, and the maps and graphics. This second portion must be done by authorized experts. The urban plan will be a cooperative effort with each town. Separate tenders will provide for LGSP providing the analysis and narrative, and the town responsible for the maps and graphics.

Service Improvement (Task 1 and Task 2): Following the strategic planning process, LGSP contracts a consulting company to perform comprehensive diagnostic analysis and develop service improvement plans for communal public service providers in LGSP partner towns. The diagnostic analysis will include, but not be limited to:

- Evaluation of the service provider's financial performance;
- Assessment of the service provider's institutional framework;
- Evaluation of operational efficiency,
- Development of a service improvement plan.

Based on the diagnostic analysis, the company will provide recommendations to address the identified financial, institutional, and operational issues and improve performance of the service provider.

LGSP will conclude the diagnostic analysis and the development of the service improvement plans for municipal utilities by the end of November 2013 for Cohort 1 towns, and by August 2014 for Cohorts 2&3. The results of the diagnostic analysis will be presented to the service provider management team, town administration and members of the local council at a round table.

The results of the diagnostic analysis will identify potential interventions within the provision of municipal services (Task 4). In response to this analysis, LGSP will support partner towns in implementing the service improvement plans through such interventions as delivering specialized trainings for municipal utilities' staff, LPA representatives, local councilors, and other technical support team members. Recognizing that project resources are limited, LGSP will actively participate in national/regional coordination activities related to service provision (for example, the Donor Coordination Council on water and sanitation), and work closely with other donors and the Ministry for Regional Development and Construction to coordinate and promote improved services..

Objective 1.2: New Municipal Service Arrangements Established

LGSP will work with partner towns to establish new municipal service arrangements that will increase the quality of service provision.

PPP/IMC: In Year 3, the proposed interventions will be based on results from a preliminary assessment, conducted in Cohort 1, and possibly Cohorts 2&3 partner towns, of **public-private partnerships** (PPP). This assessment will serve as a tool to develop more efficient public service delivery at the local level in Moldova. PPP technical assistance was delivered to Cohort 1 partner towns to assess the identified PPP project ideas and to develop feasible concept notes. LGSP will assist Cohort 1 partner towns with viable project ideas to perform a pre-feasibility study, which will

then be further submitted for Local Council resolution. This process will be repeated for Cohorts 2 & 3.

CISC: LGSP will continue to provide specialized technical assistance and support to establish the **Citizen Information and Service Center (CISC)** in Year 3. This effort includes the development of the CISC Concept (regulation, clear guidelines for operations, etc.) and its implementation in one Cohort 1 partner town – Ungheni. The final concept of CISC will be developed/approved by all relevant parties by the end of November 2013. Afterwards, LGSP will provide technical assistance in implementing the Center concept with the support of other stakeholders/donors. LGSP's Municipal Coordinator and other project staff will oversee the implementation of this initiative (component 2, task 7).

LGSP plans to organize a specialized Round Table with the participation of different stakeholders, LPA representatives, and donors to share the CISC Concept in October. This may encourage other interested donors (e.g. UNDP, EU) to co-finance activities related to CISC establishment in other towns/localities in Moldova.

LGSP will also provide **focused technical assistance in institutional capacity building for its partner towns**. Specifically, LGSP will analyze the current status of human resource management in two towns to be selected based upon their interest and likelihood of success, review current organizational charts and recommend improvements, and review position descriptions for all the positions and incorporate necessary or desirable competencies and aptitudes. LGSP will disseminate deliverables developed during this assignment to all partner towns for their appropriate adaptation and usage.

Lastly, LGSP will continue to provide support for the organization of Quarterly Mayors Meetings in order to continue building institutional capacity. This meeting has become an excellent platform for obtaining new information, skills, sharing practical experience, and building new capacities.

Objective 1.3: Ability of municipalities to access regional and donor funds improved

Local governments in Moldova are dependent on transfers from the central budget and lack the financial resources needed to effectively develop localities and provide better services to citizens. Thus, LGSP will focus on identifying funding sources for local governments by working through the information center in Ialoveni, and systematically providing information to all partner towns regarding financial opportunities. LGSP will provide capacity development training (Task 9) to partner towns from Cohorts 2&3 in order to enable them to better identify and access funding opportunities to implement their strategic plans. LGSP will also provide technical assistance to its partner towns in developing/drafting project proposals once project ideas are identified by towns (Tasks 1, 4 and 5).

Objective 1.4: Enhanced Transparency and Accountability in Planning and Decision-Making

LGSP will continue to support partner towns to develop and consolidate good practices in order to ensure transparency and accountability of their activities. The aim is to contribute to an improved understanding among local public administration officials of the role of citizens' involvement at all stages of the decision-making process, and a greater preparedness of the local administration to engage citizens in a transparent, accountable and responsive manner.

In order to attain the objective, in the upcoming year a range of specific actions will be conducted to: institutionalize public outreach procedures, provide EMM training for Cohort 2 & 3 partner towns, promote a gender awareness component among local public authorities, assist partner towns in promoting public engagement activities, and support the development of the Cohort 1 Mentoring Program.

LGSP will accomplish this by continuing with the development of internal communication regulations for Cohort 2 & 3 towns; helping to finalize drafts of the citizen participation action plans for Cohort 1; and supporting the partner towns in developing/updating their public outreach tools (informational bulletins and official web pages). LGSP will provide necessary assistance to the partner towns in developing and using public outreach materials such as the Information Bulletin as this proved to be an effective tool in presenting LPA's activity. The Bulletins are developed by joint efforts of the Public Engagement Advisor, the Municipal Coordinators and LPA staff and then proposed to the LPA to be used in further activities.

LGSP will further assist partner towns in implementing communication and citizen involvement action plans through promotion of public engagement activities. This will be done by assisting LPA in organizing public debates, round tables, public events (such as Energy Efficiency day, Town Anniversary Day, Open Doors Day, etc.). These events proved to be effective in promoting the visibility of local governments and ensure an effective communication with citizens.

Lastly, the project will provide support on promoting gender awareness among the partner towns through the drafting of a local public policy on gender, as well as provide EMM training on communication and citizen involvement for Cohort 2 & 3. In order to ensure a successful implementation of planned activities, the project will work closely with local public administration to apply lessons learned in Year 2.

Assumptions for the Successful Implementation of Component 1 Activities

Our assumptions under Component 1 include the following:

- Local administrations will actively participate in the LGSP training programs and fully cooperate with LGSP on-site consulting services and technical assistance;
- Local Councils have the authority to make decisions related to all matters of local interest. Local Councils will support the activities implemented within the Project: e.g. Socio-economic development strategies; Urban Plans and the supportive documents; Service Improvement Plans; CISC Establishment; and PPP/IMC project ideas/pre-feasibility studies.

- Local Public Administrations will identify necessary resources to co-finance the implementation of complex projects (such as CISC establishment; development of General Urban Plans.);
- The legal framework related to local public administration will be improved by legislation and regulation consistent with the GoM decentralization policy (e.g. local public finances, inter-municipal cooperation, PPP implementation, etc.);
- National and international funds for infrastructure development will be available for local governments;
- Local governments (partner towns) are committed to implement proposed operational/strategic plans.

Component 2: Increased Local Revenues and Improved Financial Management

Enhancing own source revenues and increasing transparency through the implementation of international best practices are the primary objectives to be accomplished during Year 3. To achieve these objectives, LGSP will continue to provide the EMM training program and technical assistance to partner towns, tailored to individual needs and goals. To cover the objectives of improved budgeting, financial reporting processes and public financial management, the EMM modules will include the following topics:

- Budgeting practices: techniques, best practices and Moldovan requirements according to the new Law on Public Finance;
- Revenue Enhancement. The local fees and taxes collection management system;
- Public property/asset management system;
- Public-Private Partnerships and Inter-Municipal Cooperation.

All the activities under Component 2 will be in line with the proposed new legal framework and institutional principles regulating public financial management at the local level.

The current financial legislation and regulations specific to local public finance issues, such as local government revenues, expenditures and transfers, accounting rules, regulations, local government budgeting processes, supervision, and control, are inadequate for the effective operation of local authorities. Legislation which would positively impact local government is awaiting action by the Parliament, and apparently will not be acted upon until the middle of Year 3 or later.

If and when adopted, the law would address the following issues identified within local public finances and financial autonomy:

- Limited fiscal autonomy regarding local taxes, inadequate fiscal potential;
- Limited tax base by providing many legislative facilities and incentives;
- Budgetary dependence of each level of government to the next higher;
- Inefficiency of the existing system of transfers between levels of central public authorities and local public authorities, having the effect of discouraging own fiscal effort of local authorities;
- Volatility of local public finance system from one year to another.

Objective 2.1: Cost and Management Efficiencies Identified and Adopted

In Year 3, the LGSP Financial Management Advisor, together with an international expert and selected local consultants, will follow up on EMM trainings by providing specialized technical assistance and support in the establishment of the public property/asset management system. The effort includes the development of the Municipal Asset Management Strategy, Municipal Asset Management Plan and Action (Implementation) Plan (Task 1).

The objectives of the assistance provided on Municipal Asset Management to LGSP partner towns are:

- To create an effective Municipal Asset Management Planning process;
- To modernize property management working practices and to improve service quality;
- To manage and maintain all municipal fixed assets in order to preserve and secure best property value.

LGSP developed a Manual on Municipal Asset Management System that will be disseminated to all LGSP partner towns. The Manual provides guidance to LPAs on methods and techniques that can be used to address public asset management issues.

During the training, successful projects from Cohort 1 partner towns (Taraclia and Orhei) will present their implementation performance, disseminating specific lessons and issues to be taken into account in order to improve the public property/assets management system. In order to share the public property/assets management assessments, recommendations and performances, LGSP will organize a specialized round table for partner towns. LGSP plans to make revisions to the Manual on asset management system, to accommodate the individual circumstances of each partner towns.

Asset Management. Asset management has been identified as a high priority of the National Decentralization Strategy, with buy-in from the State Chancellery, Ministry of Economy, and donors such as UNDP and GIZ. In order to implement the Action Plan of the National Decentralization Strategy, the Ministry of Economy appointed a working group at the end of July 2013 that is responsible for patrimony decentralization. This working group will identify solutions to ensure the completion of the public and private property delimitation. Also, it will provide the full public property management mechanisms, efficient, effective and responsible legal and institutional frameworks at the national level, the public property law, and the necessary instructions for inventory and records of the public property at the national and local levels.

LGSP was invited to assist in the working group on patrimony decentralization meetings and was requested to continue to support local authorities in developing their capacities on public asset management systems. Also, LGSP will assist the Ministry of Economy through providing the modern methodology framework on public asset management system at the local level, based on the best European experience described in the Manual on public property asset management system, which will be shared and consulted with the working group representatives.

PPP. As a result of the PPP options assessment, performed in the Cohort 1 partner towns, PPP project ideas concept notes were evaluated and the feasible ones identified. In Year 3, LGSP plans to provide follow up technical assistance to develop a pre-feasibility study for viable PPP projects submitted by the Local Councils.

LGSP will continue to provide capacity development trainings to Cohorts 2&3 partner towns in order to enable them to better identify and develop projects in PPP and IMC. This will include training and hands-on technical assistance provided in partnership with the short term local consultants and international experts with proven experience in the fields of PPP and IMC.

During Year 3, LGSP will assess PPP options for Cohorts 2&3 partner towns, with the support of the international and local experts. Based on results of the assessment report on PPP, further assistance will be provided for viable Cohorts 2&3 projects (Tasks 1, 2, 3 and 5).

**Objective 2.2: Improved Collection Rates for Local Fees and Taxes &
Objective 2.3: Service Fees Based on Full Cost Recovery Adopted**

Several factors impact the implementation of these two LGSP objectives. Local governments in Moldova share a common problem: lack of financial resources and lack of fiscal autonomy. Local governments in Moldova depend on inter-governmental transfers. The capital investment system in most countries is programmatic in nature with national and local government co-financing, while in Moldova there is no permanent capital investment programming and financing framework. This limits the ability of local governments to deliver public services to citizens.

To address these challenges, LGSP will develop a Guide on Revenue Enhancement at the local level with the assistance of international and local experts. It will focus on collection of existing revenue sources and identifying additional sources.

LGSP will continue to provide training and technical assistance on Revenue Enhancement, local fees and taxes collection management system for Cohorts 1, 2&3 partner towns.

Also, under these two objectives, as mentioned above under the Objective 1.1 of Component 1, based on the results of diagnostic analysis, LGSP will support partner towns to develop and implement service improvement plans. This may involve delivery of specialized trainings based on cost recover principles, for municipal enterprises' staff responsible for the public service delivery (Tasks 4, 7, 8 and 12).

Objective 2.4: Improved Budgeting and Reporting

Based on feedback received from Cohort 1 towns on LGSP training and technical assistance related to budget management, LGSP will continue to provide training and technical assistance on budget practices (developing annual budgets and budget

proposals, internal budgeting regulations) while adjusting the EMM trainings and technical assistance based on lessons learned from the previous trainings.

At the beginning of Year 3, LGSP will deliver a tailored training with the support of international and local expertise aimed at assisting the drafting and later implementation of the annual budget for 2014 year for Cohorts 1, 2 & 3. After the training, LGSP, in partnership with the short term local consultants, and based on partner towns' requests, will provide practical comprehensive technical assistance that will enable partner towns to identify appropriate interventions that can immediately improve budget elaboration and implementation for 2014 (Tasks 9 and 12).

Objective 2.5: Increased Citizens' Access to Information on Available Financial Resources

Among the Moldovan requirements for publishing legislative and regulatory acts, the transparency principle requires clear establishment of rules and procedures. It requires publication of comprehensive budgets and financial resources information in a publicly accessible manner. In Year 3, LGSP will continue this activity by developing action plans for technical assistance that include assisting local governments with improving transparency of financial information to encourage improved access for citizens to local government plans and operations (Tasks 10 and 11).

In order to increase citizen's access to information, LGSP will assist Partner Towns in elaborating and implementing several tools to improve citizen access to local government plans and operations as well as financial information, budgets and other public financial information. For example, the Internal Communications Regulations for each partner town consist of several such tools: public hearings, information campaigns, report cards, information bulletin boards, Facebook pages and websites that are to be used in order to increase citizens' access to information on financial resources.

Assumptions for the Successful Implementation of Component 2 Activities:

- The legal framework related to local public finance will change and create a more favorable climate (e.g. local public finances, new accounting standards and practices at the local level, PPP implementation, own revenue enhancement.);
- Sufficient information will be available from the local governments and service providers to allow for comprehensive and informative assessments;
- Local administrations will actively participate in the LGSP training programs, and will fully cooperate with LGSP on-site consulting services and technical assistance.

Component 3: Improved Municipal Energy Efficiency

The energy efficiency sector has been identified by the GoM as a priority because 94 percent of all energy consumed in Moldova is imported. As a member of the EU Energy Community Treaty, Moldova passed the Law on Energy Efficiency in 2010,

which requires conformity with the EU Energy Services Directive (ESD). The Law requires the raion councils to hire energy managers to perform energy management within their territory; develop Local Energy Efficiency Programs (LEEPs) every three years; draft Municipal (local) Energy Efficiency Action Plans (LEEAPs) annually; and, based on the LEEAPs, prepare Energy Efficiency progress reports.

The National Program on Energy Efficiency was approved in 2011 and contains the basic tasks and indicators to be achieved by 2020, including a 25 percent reduction in CO₂ gas emissions. The GoM established the Agency for Energy Efficiency (AEE) to facilitate the implementation of this national program. A National Fund on Energy Efficiency was also created to finance projects in the energy efficiency field in line with the national program.

The majority of donor organizations active in Moldova are heavily involved in energy efficiency efforts, including:

- SIDA, which acts as the leading donor in the energy efficiency sector, concentrating its efforts on adapting energy efficiency legislation to European standards and to the development of a National Energy Efficiency Action Plan;
- GIZ, which is providing support to Regional Development Agencies to update regional development strategies with energy efficiency components and develop operational plans at the regional level (North, Center, and South), including training for the Regional Development Agencies staff in energy efficiency;
- UNDP, which is implementing a biogas component in its energy efficiency program; and
- EU, which is providing budgetary support for the development of the National Energy Efficiency Action Plan.

Under Component 3, LGSP will work with local partners in energy efficiency and with the subcontractor EnCon Services International.

Objective 3.1: Energy Efficiency Programs and Action Plans Developed and Implemented

Under the Law on Energy Efficiency adopted in 2010, raions are required to create Local Energy Efficiency Programs (LEEPs). LGSP will continue to work with Cohort 1 towns until LEEP/APs are complete. LGSP will work with Cohorts 2&3 partner towns to develop three-year LEEP/APs, as well as one-year action plans (LEEAPs). These local Programs and Action Plans will be a substantial contribution to the raion documents.

The training and planning processes will be initiated based on the program and materials already developed by LGSP in the EMM training for Cohort 1 towns. It will include EMM modules such as:

- Planning and prioritizing energy efficiency investments;
- Setting energy baselines and targets;
- Energy efficiency manager certification;
- Utilizing energy efficiency auditors;
- Calculating the payback period of energy efficiency investments; and

- Setting town council policy to encourage energy conservation.

These EMM materials will be submitted for approval by USAID and coordinated with the Agency for Energy Efficiency.

Prior to launching the LEEP and LEEAP processes, LGSP will focus on building the capacity of local level energy efficiency managers by assisting them in creating, revising, and implementing LEEP/LEEAPs. LGSP is providing support to partner towns in appointing energy efficiency managers or designating an existing town official with the energy efficiency responsibilities (policy and measures). The EE responsible will cooperate with raion authorities and with LGSP in the development of LEEPs/APs.

In Year 3, LGSP, in collaboration with EnCon, will train Cohort 2 & 3 partner town mayors, energy efficiency managers, and other relevant staff in national energy strategies and energy budgeting, including attracting EE funds and development of LEEPs/APs, as part of LGSP's EMM training program (Tasks 1 and 2). The training will also include all the relevant information about the development of Feasibility Studies and Energy Audits, which are necessary in order to access the national EE fund.

An Energy Efficiency focused Study Tour will be organized to become familiar with EE solutions in a nearby country with similar infrastructure (likely Bulgaria or Ukraine).

LGSP will provide technical assistance for the Cohorts 2 & 3 partner towns to develop LEEPs and LEEAPs. EnCon local consultants will visit each of the partner towns and, in cooperation with the local EE manager responsible will develop the first draft of LEEPs/APs. After obtaining and incorporating comments from the EE managers and AEE, the final version will be developed and submitted to LPAs, raion EE managers and AEE.

After the LEEPs/APs have been developed, LGSP and the EE managers will select at least one priority activity from the LEEAP to elaborate a Concept Note with mandatory Energy Audit in order to access available National EE Funds. Later on, LGSP will assist the partner towns with the facilitation and monitoring of project implementation (Tasks 3 and 4).

Objective 3.2: Energy Efficiency M&E Plans and Systems Established and Utilized

Activities under this objective are aimed at equipping partner towns with the tools and skills necessary to utilize energy efficiency monitoring and evaluation (M&E) plans and systems. This will be a key initial step to meaningful LEEP and LEEAP planning processes, which will be continued in Year 3.

LGSP, in partnership with AEE, will develop a simple energy efficiency M&E tool to contribute to the reporting and evaluation of the project activities foreseen in the LEEAP. It will also be able to estimate the amount of reduced CO₂ after the implementation of EE measures.

The assistance program will include training and facilitation of the LPAs to use such a M&E reporting module on a permanent basis. This tool will allow us to:

- Use simple energy efficiency monitoring tool/table; and
- Calculating indicators needed for donor and GoM investments (Tasks 4, 5, and 6).

Objective 3.3: Improved Citizen Understanding of Energy Efficiency

The Public Awareness Campaign is an important tool in informing local population about the benefits of Energy Efficiency. LGSP, in cooperation with AEE, will assist partner towns in performing their EE public awareness campaigns using the EE Guide prepared and distributed by LGSP in Y2. LGSP will assist LGs in including EE as a permanent issue in the local mass media. LGSP will also work with local governments to organize “Energy Efficiency days” through production and distribution of posters and thematic leaflets informing the local population about the benefits of energy efficiency (task 5).

As a follow up activity, LGSP team will assist partner towns in including the energy efficiency component in their Communication Strategies/Plans, including specific tools for improving citizens understanding of EE importance and usefulness.

Assumptions for the Successful Implementation of Component 3 Activities

Our overall assumptions under Component 3 include the following:

- The template of LEEP/AP is approved by the AEE and there is “no objection” to continue the elaboration of LEEPs/APs for the partner towns;
- The revised training materials for EMM training in Energy Efficiency and the curricula will be approved by AEE;
- The M&E plans and systems will be approved by the AEE and local governments will not object to their use;
- The EE Guide will be accepted by AEE as an information and communication tool.

Incentives and Opportunities Fund and Direct Procurement Fund

LGSP will support partner towns in pursuing proposed improvements under each component through the provision of direct procurements of equipment made on behalf of partner towns through the project’s Direct Procurement Fund (DPF). These procurements will come either as complementary equipment necessary to improving the delivery of a specific service under a larger financing project from national and international donor funds, direct interventions with equipment deemed necessary as a result of a needs assessment and service delivery improvement plan for the partner towns.

LGSP envisions making direct procurements for partner towns starting in the third quarter of Year 3. These shall be strictly related to proposed qualitative and quantitative improvements in service delivery and energy efficiency.

These procurements will contribute to the achievement of objectives under Component 1 (1.1, 1.2 and 1.3); Component 2 (2.1, 2.2, 2.3, 2.4, and 2.5), and Component 3(3.1).

The Incentives and Opportunities Fund (IOF) is a tool that LGSP will use to stimulate partner towns in their development goals. From this fund, LGSP will implement subcontracts to conduct technical assistance or assistance that supports investments to improve services or local capacity to deliver services, generate and manage revenues. The IOF fund will contribute greatly to the achievement of the LGSP objectives. It will serve as an important resource in support of town administrations' efforts to access domestic and foreign funds for local development and implement priority improvements identified as a result of technical assistance. The IOF will target town administrations in all 32 raion capital towns and the capital of Autonomous Region of Gagauzia based on the priority development goals and objectives.

The IOF will be an important contribution to the achievement of objectives 1.1, 1.2, 1.3, and 1.4 under Component 1; 2.1, 2.2, 2.3, 2.4, and 2.5 under Component 2; and 3.2 and 3.3 under Component 3.

Gender

LGSP will produce and publish a policy booklet in cooperation with partners (GIZ, etc.) providing gender guidance to LPAs. Gender aspects will be integrated as part of the human resources EMM training, involving Gender Focal persons to be nominated by each town. All EMM trainings will include an emphasis on gender. Gender needs and priorities will be reflected in the towns' strategic plans, integrated service improvement plans, asset management, urban and land use plans, and budgets, so as to mitigate and avoid gender inequities.

LGSP is ensuring equal participation of men and women in all its trainings and other activities and events, and is promoting equal access to public information, public hearings, etc. at the local level. Gender indicators have been added to the Quarterly Data Collection Forms and will be collected in Year 3 from all three cohorts, raising gender sensitive awareness at the same time. These will account for gender sensitive budgeting, equitable human resources policies in each town hall and municipal enterprise, ensuring equal opportunities at employment, measures against harassment and any type of discrimination.

Understanding energy use at the household level, and the role of men, women, and vulnerable populations in energy use, will be considered in EE campaigns. The MPI citizen survey to be undertaken in Year 3, similar to the first one, will disaggregate data to determine gender differences in satisfaction and access to services. LGSP will continue to report in a gender sensitive manner and will promote gender-sensitive reporting in the partner towns.

Environment Mitigation and Monitoring

All three project components include activities which will have environmental implications, such as: strategic planning, service improvement plans, and land use

plans under Component 1, capital investment plans under Component 2, and energy efficiency improvement through feasibility studies and training under Component 3. While all activities to take place in Year 3 are deemed categorical exclusion and therefore require no official mitigation by USAID, LGSP is still conscious of the impact a long-term plan or the training content can have on the environment based on how each take into account environmental concerns.

While many of the activities labeled as negative determination in the IEE are no longer applicable to the project, LGSP recognizes that there are still some components with negative determination and even those labeled as categorical exclusion may have an indirect environmental impact. For those with negative determination, an Environmental Determination Review Checklist will be completed and counterparts will be required to complete specific actions to offset the environmental impact over the work. For those with categorical exclusion, we will take steps to ensure that environmental concerns are integrated into the activity as noted above. For example, as the EMM curriculum is developed, training modules will explicitly address environmental concerns associated with the content of each (e.g., land use, service delivery), and will include steps to ensure long-term municipal environmental compliance. Information regarding actions taken to address environmental issues will be included in project quarterly and annual performance reports, and mitigation steps will be monitored to gauge their effectiveness.

